

**STATE OF NEW MEXICO
OIL CONSERVATION DIVISION
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES**

IN THE MATTER OF THE APPLICATION OF
PALOMA RESOURCES INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

CASE NO. _____

AMENDED APPLICATION

PALOMA RESOURCES INC. ("PALOMA"), through its undersigned attorneys, hereby requests that this case be reopened and readvertised for its amended application made pursuant to the provisions of N.M.S.A. § 70-2-17, (1978), for an order pooling all mineral interests in the Strawn formation in the S/2 SW/4 of Section 28, Township 16 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Paloma is the owner of working interest in the S/2 SW/4 of said Section 28 and has the right to drill thereon.
2. By Division Order No. R-10873 entered on September 12, 1997, the Division granted the application of Paloma for compulsory pooling of the W/2 SW/4 of said Section 28 for all formations developed on 80-acre spacing and the SW/4 SW/4 of said Section 28 for all formations developed on 40-acre spacing.
3. Paloma has re-entered the Shell Oil Company Homestake Well No. 1 located at a standard oil well location 660 feet from the South and West lines of said Section 28 and has been unable to recomplete said well as a commercial well in the Strawn formation, Undesignated West Casey-Strawn Pool.

4. Said pool is developed pursuant to Special Pool Rules and Regulations which provide for 80-acre spacing with wells to be located within 150 feet of the center of a governmental quarter-quarter section. (Order No. R-5446, Rules 2 and 4).

5. Paloma proposes to use the existing wellbore and, in accordance with Rule 111, drill a directional wellbore in an easterly direction in a Producing Interval comprised of the Strawn formation in Section 28, Township 16 South, Range 37 East, NMPM subject to the following:

- (A) Project Area: 80-acre gas dedication (S/2 SW/4 Section 28).
- (B) Producing Area: being not closer than 510 feet to any boundary of the 80-acre spacing unit.
- (C) Bottom hole targets: being not closer than 510 feet to any boundary of the 80-acre spacing unit.

6. The ownership in the SW/4 of said Section 28 is common throughout the SW/4 of said Section 28.

7. Paloma has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the S/2 SW/4 of said Section 28.

8. Said pooling of interests and the directional drilling of the subject well will prevent waste and will protect correlative rights.

9. In order to permit Paloma to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in the S/2 SW/4 should be pooled, and

Paloma should be designated the operator of the well to be directionally drilled.

WHEREFORE, Paloma Resources Inc. requests that this case be reopened and readvertised for hearing before an examiner of the Oil Conservation Division on November 20, 1997 and that the Division enter its order approving the proposed directional well and pooling for this well the S/2 SW/4 of Section 28, Township 16 South, Range 37 East, NMPM including provisions for Paloma to recover its costs of supervision of the well, including overhead charges, and imposing a risk factor for the risk assumed by the Paloma in drilling, completing and equipping the well.

Respectfully submitted,

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& SHERIDAN, P.A.

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